

Office of the Comptroller of the Currency

Program Summary by Account

(Dollars in thousands)

Budget Activity	FY 2006	FY 2007	FY 2008		
	Obligated	Estimated	Estimated	Increase/ Decrease	Percent Change
Supervise	471,882	569,137	597,600	28,463	5.0%
Regulate	70,992	81,508	87,000	5,492	6.7%
Charter	13,952	20,544	21,200	656	3.2%
Total Cost of Operations	\$556,826	\$671,189	\$705,800	\$34,611	5.2%
Capital Investments	\$6,360	\$7,389	\$6,137	(\$1,252)	(16.9%)

(Included in Total Cost of Operations above)

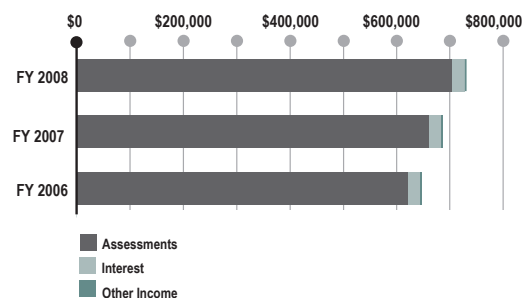
Explanation of Budget Estimate

The Office of the Comptroller of the Currency (OCC) supervises approximately 1,830 institutions with national bank charters and 49 federal branches of foreign banks in the United States. Total assets under OCC supervision are nearly \$6.5 trillion or 67 percent of total U.S. commercial banking assets. The average size and complexity of the institutions in the national banking system continue to grow, creating increasing and diverse challenges for the OCC.

The OCC's FY 2007 priorities include supervisory issues related to potential adverse changes in national bank asset quality and risk profiles, continued work on proposed revisions to the federal banking agencies' risk-based capital standards, compliance with Bank Secrecy Act/anti-money laundering (BSA/AML) and USA PATRIOT Act (USAPA) requirements, and addressing issues raised by the range of retail banking products offered by national banks. Critical issues concerning national bank powers and preemption of state laws will continue to be significant for the agency and the industry. Filling key experienced and specialty examiner and bank supervision policy analyst positions, enhancing retention of entry-level examiners at the critical three/four year point of

OCC Revenue History

(Dollars in Thousands)



their careers, and developing the next generation of bank supervision leadership are critical initiatives for the OCC.

In FY 2007, an estimated \$671,189,000 is needed to fund ongoing OCC operations and address program priorities effectively.

Estimated OCC revenue for FY 2007 is \$687,200,000, which is collected primarily from semiannual assessments levied on national banks. OCC receives no appropriated funds from Congress.

Purpose of Program

OCC was created by Congress to charter national banks, to oversee a nationwide system of banking institutions, and to assure that national banks are safe and sound, competitive and profitable, and capable of serving in the best possible manner the banking needs of their customers.

As the regulator of national banks, the OCC has established four strategic goals that help to support a strong economy for the American public: 1) a safe and sound national banking system, 2) fair access to financial services and fair treatment of bank customers, 3) a flexible legal and regulatory framework that enables the national banking system to provide a full competitive array of financial services, and 4) an expert, highly motivated, and diverse workforce that makes effective use of OCC resources. The OCC organizes its activities under three programs: Supervise, Regulate, and Charter, to achieve the goals and objectives outlined in its strategic plan.

Explanation of Budget Activities

Supervise (\$569,137,000) The Supervise program consists of those ongoing supervision and enforcement activities undertaken to assure that each national bank is operating in a safe and sound manner and is complying with applicable laws, rules, and regulations relative to the bank and the customers and communities it serves. This program includes

bank examinations and enforcement activities; resolution of disputes through the National Bank Appeals process; ongoing monitoring of banks; and analysis of systemic risks and market trends in the national banking system or groups of national banks, the financial services industry, and the economic and regulatory environment.

Regulate (\$81,508,000) The Regulate program consists of those ongoing activities that result in the establishment of regulations, policies, operating guidance, and interpretations of general applicability to national banks. These regulations, policies, and interpretations may establish system-wide standards, define acceptable banking practices, provide guidance on risks and responsibilities facing national banks, or prohibit (or restrict) banking practices deemed to be imprudent or unsafe. The program also provides analysis and legal opinions on federal preemption of state law. This program includes the establishment of examination policies, handbooks, and interpretations for examiners as well as representing the OCC's regulatory authorities and interpretations in administrative, judicial, and congressional hearings.

Charter (\$20,544,000) The Charter program involves those ongoing activities that result in the chartering of national banks as well as the evaluation of the permissibility of structures and activities of national banks and their subsidiaries. This includes the review and approval of new national bank charters, federal branches and agencies, mergers, acquisitions, conversions, business combinations, corporate reorganizations, changes in control, operating subsidiaries, branches, relocations, and subordinated debt issues.

Legislative Proposals

OCC currently has no legislative proposals.

Capital Investments Summary

Three major investments are planned for FY 2007: the Workflow and Information Systems and Document Manager (WISDM) for the OCC's large bank line of business, the Mid-size/Community Bank Supervision Project (MCB) for that line of business, and the Web Content Management System (WCMS).

WISDM is an innovative, integrated solution that will streamline the Large Bank Supervision (LBS) processes, improve collaboration, and enhance the security of sensitive documents while providing OCC management greater visibility into the status of ongoing examinations. The resulting business management information system will provide LBS examiners and management the ability to collaboratively develop, securely store, search, and report on the status of their work documents.

MCB reengineers OCC's Examiner View. Examiner View documents findings from safety and soundness examinations for midsize and community-sized banks. The reengineering process will update the system into the Microsoft.Net environment, allowing for increased network users; easier integration of Microsoft Office capabilities and ease maintenance releases.

WCMS facilitates 1) automation of OCC's web publishing process using one system across three web platforms, 2) publishing of web content from a single, authoritative database, 3) management of the full content life cycle across all platforms, 4) metadata capture to improve search results, and 5) the unification of the web site infrastructure for improved web technology management.

OCC Performance by Budget Activity

Budget Activity	Performance Measure	FY 2004	FY 2005	FY 2006		FY 2007	FY 2008
		Actual	Actual	Actual	Target Met?	Target	Target
Supervise	Percentage of national banks that are well capitalized (%) (Oe)	99	99	99	✓	95	95
	Percentage of national banks with composite CAMELS rating 1 or 2 (%) (Oe)	94	94	95	✓	90	90
	Percentage of national banks with consumer compliance rating of 1 or 2 (%) (Oe)	96	94	94	✓	94	94
	Rehabilitated problem national banks as a percentage of the problem national banks one year ago (CAMELS 3, 4 or 5) (%) (Oe)	40	44	46	✓	40	40
Charter	Percentage of licensing applications and notices completed within established timeframes. (%) (Oe)	96	96	94	✗	95	95

Key: Oe - Outcome Measure, E - Efficiency Measure, Ot - Output/Workload Measure, and M - Management/Cust. Satisfaction

Description of Performance

As a whole, the national banking system is healthy and in compliance with consumer protection laws and other regulations. At the end of FY 2006, 99 percent of national banks were classified as well-capitalized. National banks' capital has remained at this consistently high level for the past several years.

Bank regulatory agencies use the Uniform Financial Institutions Rating System, CAMELS, to provide a general framework for evaluating all significant financial, operational and compliance factors inherent in a bank. Evaluations are made on: Capital adequacy, Asset quality, Management, Earnings, Liquidity, and Sensitivity to market risk. The rating scale is 1 through 5 where 1 is the highest rating granted. CAMELS ratings are assigned at the completion of every supervisory cycle or when there is a significant event leading to a change in CAMELS. In FY 2006, 95 percent of national banks earned a composite CAMELS rating of either 1 or 2, signifying an overall safe and sound national banking system and a foundation for a strong U.S. economy. Forty-six percent of banks with composite CAMELS rating of 3, 4 or 5 one year ago have improved their ratings to either 1 or 2 this year. This is an improvement from 44 percent achieved in FY 2005 and the 40 percent achieved in FY 2004.

National banks continue to show strong compliance with consumer protection regulations with 94 percent earning a consumer compliance rating of either 1 or 2.

OCC's timely and effective approval of corporate applications contributes to the nation's economy by enabling national banks to complete various corporate transactions and introduce new financial products and services. Delayed decisions can deprive a bank of a competitive or business opportunity, create business uncertainties, or diminish financial results. OCC completed 94 percent of applications and notices within the time standard during FY 2006. The target of 95 percent wasn't met as the result of several applications that initially appeared to be routine in nature requiring additional time due to unique circumstances. Institutions receiving decisions on their corporate applications and notices rated the OCC's overall licensing services an average of 1.2. The licensing survey is based on a five-point rating scale, in which 1 indicates outstanding and 5 indicates significantly deficient.

Beginning in FY 2006, the OCC implemented a performance measure—Total OCC Costs Relative to Every \$100,000 in Bank Assets Regulated—that reflects the efficiency of its operations while meeting the increasing supervisory demands of a growing and more complex national banking system. OCC costs are those reported as total program costs on the annual audited Statement of Net Cost. Bank assets are those reported quarterly by national banks on their Reports of Condition and Income. Total bank assets represent the growth and complexity of the national banking system. This measure supports the OCC's strategic goal of efficient use of agency resources. The OCC's ability to control its costs while ensuring the safety and soundness of the banking system benefits all national bank customers.

